

2018-19 School Funding Formula

Consultation
Phase 2



Portsmouth
CITY COUNCIL

Funding Formula Consultation 2018-19

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1 Introduction & Background

- 1.1. In September 2017 we updated schools on the progress being made towards the introduction of the National Funding Formula (NFF) and the work undertaken by the City Council to prepare for the 2018-19 mainstream funding formula following the publication of the operational guidance¹ by the Department for Education (DfE) in August 2017.
- 1.2. The operational guidance highlighted the key changes to the mainstream funding formula for the 2018-19 financial year when compared to the current arrangements. It did not provide the details of the local authority level funding allocations for 2018-19.
- 1.3. In light of the delays in receiving the necessary information this year, it has not been possible to consult with schools on changes to the funding formula in the usual way in September. Therefore we have implemented a two phase consultation for 2018-19, in September we consulted with schools on the following key areas:
 - Any proposed changes to the funding factors used within the local funding formula.
 - Changes to the growth fund criteria
 - De-delegated arrangements
 - To seek feedback on school preferences to changing the funding rates attached to the funding formula factors i.e.:
 - To move as close as possible towards the national funding formula in 2018 to 2019.
 - To move towards the national funding formula in a gradual process during 2018 to 2019 and 2019 to 2020.
 - To remain with the current funding arrangements, until the national formula is fully operational.
(all subject to overall affordability)
 - The factors to be adjusted for overall affordability in setting the final funding allocations.
- 1.4. The DfE published the details of the full national funding formula for 2018 to 2019 and 2019 to 2020 in mid-September, alongside the responses to the national funding formula consultations. The Local Authority indicative funding allocation for 2018 to 2019 (based on October 2016 census) were also

¹ Schools revenue funding 2018 to 2019 operational guide

published in September 2017. The final allocations based on the October 2017 census are expected to be published in mid-December 2017.

Consultation Approach

- 1.5. In line with the School and Early Years Finance (England) Regulations the authority will consult with schools on any proposed changes to the local school revenue funding formula. This document forms Phase 2 of that consultation process and focuses on: -
 - Any proposed changes to the rates attached to each funding factor
 - Responsibilities held by the local authority for maintained schools only
- 1.6. As in previous years, Schools Forum agreed to the creation of a mainstream funding working group (see Appendix 1) to help inform the proposed changes to the funding arrangements for 2018-19. The working group have continued to provide feedback and guidance on the financial modelling undertaken to support the second phase of consultation in November 2017.

2. Results of the Phase 1 consultation

- 2.1. The Phase 1 consultation closed on the 26th of September 2017. In total seven out of 59 mainstream schools responded to the Phase 1 consultation. The results of the consultation and subsequent actions are set out below.

Growth Fund

- 2.2. The Phase 1 consultation set out the proposed changes to the growth fund eligibility criteria and the move to a lump sum payment rather than a formula driven calculation.
- 2.3. All seven respondents agreed with the approach therefore the revised Growth Fund for 2018-19 will be taken to Schools Forum in November and Cabinet Member for approval in December 2017.

Mainstream funding formula - Looked after children

- 2.4. Due to the removal of the LAC factor from the National Funding Formula and the increase of the Pupil Premium Plus rates for 2018-19 it was proposed to remove the LAC factor from the local formula in line with the national changes. It was proposed that any funding released from the removal of the LAC factor would be passed back to all schools via the basic per pupil entitlement.

- 2.5. All respondents agreed with the proposal and this has been built into the proposed funding formula for 2018-19 for secondary schools as set out in this consultation.
- 2.6. However, following the publication of the NFF rates in September 2017, it would not be helpful to increase the primary per pupil entitlement rate to take account of the removal of the LAC factor, since Portsmouth's rate is already higher than the NFF rate. Section 3.16 sets out the proposal to pass this funding to primary schools via the Free School Meals (FSM) factor.

Options for transitioning to the National Funding Formula (NFF)

- 2.7. Schools were asked for their order of preference regarding the transitional process to the national funding formula, with 1 being their preferred choice and 3 being the least preferred choice. The results were analysed and the preference was for a transitional approach over 2018-19 and 2019-20, rather than going directly to the National Funding formula.

Maintaining overall affordability

- 2.8. In setting the final budget for 2018-19 for primary and secondary schools, updated pupil data based on the October 2017 census will be provided by the DfE. As a result of the change in pupil numbers, pupil characteristics, etc., it may be necessary to amend the final unit values attached to the funding formula factors, in order to maintain overall affordability. It was proposed that any changes to the unit values attached to funding factors will be limited to the following formula factors:
- Basic Per Pupil Entitlement
 - Prior Attainment
 - Lump sum
 - Percentage of the financial cap.
- 2.9. Of the responses received, 71% agreed to the proposed factors, therefore this proposal will be taken to Schools Forum in November and to Cabinet Member for Education for approval in December 2017

De-delegated Budgets

- 2.10. Of the schools who responded, 71% agreed to the proposals to:
- Cease de-delegation for the licences (CLEAPSS²) budget.
 - Continue de-delegation for the School Specific Contingency budget at a rate of £1.00 per pupil.

² Consortium of Local Authorities for the Provision of Science Services

2.11. Therefore this proposal will be taken to Schools Forum in November and to Cabinet Member for Education for approval in December 2017.

3. Phase 2 consultation - Mainstream funding formula 2018-19

Introduction

- 3.1. As set out in the Phase 1 consultation the DfE have proposed a number of changes to the funding formula factors for 2018-19, intended to support the move to the National Funding Formula in 2020-21.
- 3.2. In addition to the funding formula factor changes the DfE have changed the way that schools with resource units are funded where pupils are **sole** or **dual (main)** registered at the school and also attend the resource unit. See Appendix 2 for more details.
- 3.3. To help schools understand the impact of the national funding formula and the proposed 2018-19 funding formula for Portsmouth schools, we have taken a three stage approach to the financial modelling.
- 3.4. **Stage 1** has updated the current (2017-18) model for:
 - changes to academy status
 - the full year impact including pupil number adjustments for the September 2017³ and September 2018 cohorts for new and reorganising schools
 - National and Non domestic rates (NNDR)
 - Private Finance Initiative (PFI) annual indexation
 - resource unit number on roll (NOR) adjustments.This is to identify which schools have seen a movement in budget to due routine changes.
- 3.5. The funding formula was calculated using the 2017-18 unit rates to understand the impact on the overall funding. The table below summarises the impact on the schools block funding.

³ September 2017 cohorts will be included in the October 2017 census, the 2018-19 funding will include an allocation for these pupils. The financial modelling included with this consultation is based on the October 2016 census, therefore the September 2017 cohort need to be added.

Table A - Movement from 2017-18 to 2018-19 re pupil and premises changes	
	Post MFG
	£
2017/18 school funding post minimum funding guarantee (MFG)	107,561,752
NNDR adjustments	(299,631)
PFI annual indexation	3,617
Lump sum full year impact	58,443
Increase in pupil numbers for new and reorganising schools	665,837
Resource unit NOR adjustments	286,081
Total direct funding	108,276,099
MFG change	(496,418)
Cap on gains (CAP) change	64,890
Net MFG/CAP change	(431,528)
Total comparative funding	107,844,573
Primary to secondary ratio	1:1.28

All variances are rounded to the nearest £1.00 and therefore the table may not add up exactly.

Stage 2 - National Funding Formula impact

3.6. An indicative funding formula was developed using the National Fair Funding rates issued by the DfE in "The national funding formula for schools and high needs: - Policy document" on 14 September 2017. The results of the financial modelling were utilised to understand the longer term impact on funding for schools in the City and to provide a starting point from which to adjust current funding rates as part of the Stage 3 transitional process.

3.7. The results of this modelling are summarised in the table below.

Table B - Cost of implementing the national funding formula 2018-19	
	£
2018/19 total direct school funding pre (MFG)	108,230,298
MFG protection	2,043,699
CAP on gains	(1,763,494)
Net MFG/CAP	280,204
Secondary minimum funding level top-up	142,889
Total comparative funding	108,653,390
Primary to secondary ratio	1:1.37

3.8. Whilst the NFF provides a greater amount of funding to schools overall, it favours the secondary sector by increasing the ratio of funding to significantly higher than the national average of 1:1.29. Close investigation of the deprivation factors identified significant turbulence for the most deprived primary schools in the City, due to the NFF allocating funding across all IDACI⁴ bands at a lower rate than currently paid by Portsmouth. This means that those schools with a larger number of pupils in the higher IDACI bands

⁴ Income Deprivation Affecting Children Index (IDACI)

see a reduction in the funding they would receive for deprivation and therefore increased protection.

- 3.9. The table below summarises the change in per pupil funding (less NNDR and Lump Sum) compared to the per pupil funding received in 2017-18, for both pre and post MFG/CAP

Table C - Change in per pupil funding between 2017-18 and 2018-19 if the NFF had been implemented				
	Primary per pupil funding		Secondary per pupil funding	
	Pre MFG	Post MFG	Pre MFG	Post MFG
Percentage movement	No. of schools	No. of schools	No. of schools	No. of schools
Increase greater than 10%	0	0	0	0
Increase between 5% - 9.99%	3	0	6	0
Increase between 1.51% - 4.99%	13	0	3	1 ⁵
Increase between 0.01% - 1.5%	10	26	0	8
No change	0	0	0	0
Decrease between (0.01%) - (1.5%)	6	22	0	2
Decrease between (1.51%) - (4.99%)	3	0	1	0
Decrease between (5%) - (9.99%)	8	0	0	0
Decrease greater than (10%)	5	0	1	0
Total schools	48	48	11	11

- 3.10. To help schools understand the potential impact of the NFF and plan for future changes in funding we have published the funding formula as if we had implemented the NFF in 2018-19, as set out in Table 1

Stage 3 - proposed funding formula for 2018-19

- 3.11. Stage 3 looked at each of the factors and adjusted the current PCC rates towards the NFF factors, whilst trying to minimise turbulence for individual schools, reduce the amount paid under the minimum funding guarantee protections and maintain overall affordability.
- 3.12. This sections sets out the proposed mainstream funding formula for maintained and Academy schools for 2018-19.

⁵ One secondary school is entitled to additional funding under the NFF to ensure it receives minimum per pupil funding of £4,600 in 2018-19

3.13. In order to minimise turbulence in the Primary sector which would be caused by the immediate introduction of the NFF, we are proposing to set a formula which works towards the national funding formula whilst:

- Reducing the call on MFG protection.
- Increasing our current rates towards the NFF rates where they are lower.
- Reducing our current rates towards the NFF⁶.
- Using available funding to introduce new NFF factors
- Where the introduction of a new factor focuses funding on the most deprived pupils in the city we have utilised the NFF value to maximise funding to those pupils.

3.14. The table below sets out the proposed new factor funding rates for 2018-19 and compares them to the current rates for 2017-18 and the NFF rates.

Table D - Factor funding rates						
Factor	18/19 using PCC 17/18 Rate		18/19 NFF Rate		PCC Proposed 18/19 Rate	
	Primary	Secondary	Primary	Secondary	Primary	Secondary
Reception Uplift	Y		N		Y	
AWPU (Primary)	£2,860.62		£2,747		£2,800	
AWPU KS3		£3,669.25		£3,863		£3,766
AWPU KS4		£4,278.25		£4,386		£4,332
Free School Meals (FSM)	£0	£0	£440	£440	£151.50	£93
Free School Meals - Ever 6	£237.25	£299.83	£540	£785	£388.50	£542
IDACI Band F	£0	£0	£200	£290	£0	£0
IDACI Band E	£0	£0	£240	£390	£140	£290
IDACI Band D	£785.03	£473.84	£360	£515	£460	£515
IDACI Band C	£1,100.38	£685.45	£390	£560	£785	£560
IDACI Band B	£1,415.72	£897.06	£420	£600	£1,100	£750
IDACI Band A	£1,731.07	£1,108.67	£575	£810	£1,415	£959.44
EAL	£359.45	£1,821.55	£515	£1,385	£515	£1,603
Prior Attainment	£740	£2,000	£1,050	£1,550	£1,050	£1,775
Lump Sum	£115,000	£139,150	£110,000	£110,000	£112,500	£125,000

3.15. The Phase 1 consultation set out the factors that would be adjusted to maintain overall affordability (paragraph 2.8). Following confirmation of the final funding allocation in December, should it become possible to increase

⁶ This has impacted on the LAC pupil factor and the proposal to add the funding released to the basic entitlement per pupil for primary pupils.

the funding provided to schools. As can be seen in the Table D above the primary factors agreed in paragraph 2.8 are already at the NFF factor rate or above, therefore it would be inappropriate to increase these factors further. It is therefore proposed to include the FSM factor for primary schools as an adjusting factor to maintain affordability in 2018-19.

3.16. **Looked after Children Factor - primary schools**

3.17. In the Phase 1 consultation we proposed to add the funding released from the LAC pupil factor to the basic entitlement. The NFF basic per pupil entitlement rates are higher at both key stage 3 and key stage 4 than those currently paid by the Council. Therefore the secondary basic per pupil entitlements have been increased to include the funding released via the LAC factor.

3.18. However the NFF primary basic entitlement rate is lower than the current rate paid by the local authority and to increase this rate further could create greater turbulence for primary schools in the future. Therefore we have used the funding released (£67,447) from the removal of the LAC along with the funding released from the reduction of the primary IDACI factors to support the introduction of the new FSM factor (as opposed to The FSM over 6 factors currently used) at the NFF rate (£447,256).

3.19. **Reception uplift**

Those schools currently in receipt of the reception uplift should consider planning for its removal in future years.

3.20. The Portsmouth 2017-18 funding formula utilises the reception uplift factor which supports infant and primary schools where pupils in year R do not always start school in time for the October census. The NFF due to be implemented in 2020-21 does not use the reception uplift factor in the funding formula.

3.21. The financial modelling identified 12 schools who currently receive funding via the reception uplift. Of these schools, nine saw a reduction in funding due to reception uplift being removed, the losses in overall funding ranged between £4,023 and £14,759⁷.

3.22. It is therefore proposed to maintain the reception uplift for 2018-19 as an interim measure.

⁷ Using 2017-18 factor funding rates.

Summary

3.23. The table below summarises the impact of the 2018-19 proposed funding rates on the overall funding to schools

Table E - Cost of implementing the Portsmouth funding formula 2018-19	
	£
2018/19 total direct school funding pre (MFG)	107,887,371
MFG protection	934,160
CAP on gains	(519,496)
Net MFG/CAP	414,664
Secondary minimum funding level top-up	143,114
Total comparative funding	108,445,149
Primary to secondary ratio	1:1.30

3.24. The table below summarises the change in per pupil funding (less NNDR and Lump Sum) compared to the per pupil funding received in 2017-18, for both pre and post MFG/CAP.

Table F - Portsmouth proposal - Change in per pupil funding between 2017-18 and 2018-19				
	Primary per pupil funding		Secondary per pupil funding	
	Pre MFG	Post MFG	Pre MFG	Post MFG
Percentage movement	No. of schools	No. of schools	No. of schools	No. of schools
Increase greater than 10%	0	0	0	0
Increase between 5% - 9.99%	0	0	0	0
Increase between 1.51% - 4.99%	16	0	6	1 ⁸
Increase between 0.01% - 1.5%	14	30	0	5
No change	0	0	0	0
Decrease between (0.01%) - (1.5%)	5	18	3	5
Decrease between (1.51%) - (4.99%)	11	0	1	0
Decrease between (5%) - (9.99%)	2	0	0	0
Decrease greater than (10%)	0	0	1	0
Total schools	48	48	11	11

3.25. The overall impact of the introduction of the proposed funding rates on a school by school basis can be found in Table 2 attached.

⁸ One secondary school is entitled to additional funding under the NFF to ensure it receives minimum per pupil funding of £4,600 in 2018-19. This is added to the budget share after MFG.

Overall affordability

3.26. Current expectation is that there is potential to remove the cap on gains and remain affordable, subject to confirmation of the October 2017 census data and the 2018-19 funding allocation due in December 2017.

MFG and Capping

3.27. Theoretically the MFG could offer more protection however principles agreed as part of the Phase 1 consultation was to move gradually to the NFF, the inclusion of this additional protection could lead to a "cliff edge" in funding. As part of the financial modelling and the proposed 2018-19 funding formula we have tried to minimise the amount of MFG paid to schools. Therefore we propose to maintain the minimum funding guarantee (MFG) of minus 1.5%.

3.28. Ultimately the affordability of the model will dictate the capping rate, which could be removed in 2018-19 providing approximately £500,000 additional funding to schools. The local authority indicative funding allocation indicates that funding may be available to enable the cap to be removed and the views of schools are sought to this proposal. For the purposes of the consultation the indicative budgets have assumed that the cap on gains will remain at plus 1.5%.

Budget share financial modelling

3.29. The proposed indicative budget share allocation (Table 3 attached) is calculated using the October 2016 pupil data provided by the DfE.

The following points should be noted:

- The comparison to the current 2017-18 budget share is shown before the de-delegation of any centrally held funding
- The final budget share for 2018-19 will differ as a result of the change in pupil numbers and characteristics in line with the October 2017 pupil census
- The budget share excludes any funding for resourced units or early years nursery provision
- Due to new and reorganising schools and the resource unit adjustments we have included a per pupil rate which illustrates the indicative amount per pupil funded using the pupil led funding elements of the funding formula (e.g. excluding NNDR and lump sum) to aid comparison.
- The budget share includes changes to the NNDR corrections for 2017-18 payments and adjustments relating to schools that have converted or are expected to convert to academy status before 8 January 2018

4. Responsibilities held by the local authority for maintained schools only

- 4.1. In the 2017-18 funding period the DfE recognised that local authorities will need to use other resources to pay for education functions once the Education Services Grant (ESG) had been removed in September 2017. The government allowed local authorities increased flexibility to use part of the schools budget to support the cost of education functions through a contribution from maintained schools. In 2017-18 Schools Forum agreed to a contribution rate of £11.95 per pupil which related to the 7 month period from September 2017 to March 2018.
- 4.2. In setting the Council's budget for 2018-19, the Council is planning to continue to absorb over 80% of the anticipated funding shortfall and is seeking a full year contribution from maintained schools of £188,000 towards the City Council services that support maintained schools; through using the increased flexibility provided by the government, to seek a funding contribution from maintained schools only at £20.50 per pupil.
- 4.3. The services that this contribution would be used to support include the following:
- KS1 and KS2 moderation of national curriculum assessments
 - Investigation and resolution of complaints relating to maintained schools
 - Inspection / monitoring of attendance
 - Financial advice and support, including for schools in financial difficulty
 - Procurement support and advice
 - Asset management activities in relation to maintained schools
 - Internal audit and other tasks relating to the chief finance officers responsibilities
 - Other support and advice from the education service.
 - Overheads relating to the above services.

5. Responding to the Consultation

- 5.1. A consultation response is attached at Appendix 2 for schools to complete. The consultation will close on the Friday 17 November 2017.
- 5.2. Please send your completed response forms to:

schoolsfinancialsupport@portsmouthcc.gov.uk
- 5.3. The responses to this consultation will be reported to both the Cabinet Member for Education and Schools Forum meetings in December 2017.

Funding Working Group Membership

Mainstream Working Group

	Mainstream and Academies	
	Primary	Secondary
Head Teacher	Polly Honeychurch Cottage Grove Primary	Nys Hardingham Salterns Academy Trust
Governor	Jane Hayward Corpus Christie and St Pauls Catholic Schools	Bev Pennekett* Mayfield all through School
Finance	Tracey Harper Meredith Infant	Dawn Trimby Thinking Schools Academy Trust

*Resigned due to conflict with Officer Role.

Changes to pupil number for schools with resource units

- 1.1. In previous years where schools have a resource unit, those pupils who are main registered at the school and attending the unit were deducted from the number on roll (NOR) and the school was paid for these pupils via the £10,000 per place funding they receive for the resource unit from the High Needs Block.
- 1.2. In 2018-19 the DfE have changed this process. From April 2018 pre-16 places at a resourced unit occupied by pupils recorded on the school census as **sole** or **dual (main)** will be funded via the mainstream formula. Therefore the schools' NOR will not be adjusted in 2018-19 as they have been in previous years. The table below illustrates the change in pupil numbers where a school has a 12 place resource unit and 5 pupils are sole or dual (main) registered.

Number on roll adjustments for resourced unit	2017-18	2018-19
Total number on roll October census	200	200
Number of sole or dual (main) registered pupil attending the unit	5	5
NOR funded through the mainstream formula	195	200

Funding for resource unit pupils	2017-18	2018-19
Place funding (High Needs Block) @ £10,000 per place	£120,000	£70,000
Place funding sole or dual (main) pupils (High needs block) @ £6,000 per place	0	£30,000
Funding sole or dual (main) pupils (schools block) @ £4,000 per place provided as part of the schools' budget share.	0	£20,000
Total funding per place	£120,000	£120,000

- 1.3. The DfE has moved funding from the High Needs Block to the Schools Block to cover the funding of these sole or dual (main) registered pupils.
- 1.4. There are no changes to the way that Element 3 top-up funding is paid to resource units in 2018-19.
- 1.5. The financial modelling and the indicative 2018-19 budget share allocation is calculated using the pupil data provided by the DfE and the number on roll who were identified as **sole** or **dual (main)** registered as per October 2016.

Questions:

Funding Formula Proposals			
1	Do you agree with the proposal to maintain the use of the reception uplift factor for 2018-19? (Paragraph 3.22)	Y	N
Please add any further comments to support your answer			
2	Do you agree with the use of the funding released from the Primary Looked After Children pupil factor to be used to fund the new factor of Free School Meals (FSM)? (Paragraph 3.18)	Y	N
Please add any further comments to support your answer			
3	Do you agree with the funding rates as set out on page 9 proposed for the use of the calculation of 2018-19 funding formula?	Y	N
Please add any further comments to support your answer			
4	Do you agree with the per pupil contribution rate of £20.50 for the Education responsibilities for maintained schools?	Y	N
Please add any further comments to support your answer			

5	Do you agree with the proposal to add the primary FSM factor to the factors to be adjusted to maintain overall affordability as set out in paragraph 3.15?	Y	N
Please add any further comments to support your answer			
6	Do you agree with the proposals set out in paragraph 3.27 to maintain the MFG at minus 1.5% in line with the agreed objective of a gradual transition towards the national funding formula?	Y	N
Please add any further comments to support your answer			
7	Do you agree with the proposal set out in paragraph 3.28 to remove the cap of plus 1.5% to increase the gains available to schools subject to affordability?	Y	N
Please add any further comments to support your answer			
8	Do you have any other comments?	Y	N
Please add any further comments			